

# **Federal and State Courts – Where Should Your Case Be?**

*Please note that although I am a licensed attorney, I do not represent clients in legal matters, provide legal advice, or draft attorney work product. This article is for informational purposes only and does not constitute legal advice. The people and situations discussed in this article are purely fictional.*

## **Introduction**

Did you know that some cases can be heard in either state or federal court? Or that federal courts can apply state law? This article outlines the state and federal court systems in the U.S., explores deciding which court should hear your case if it could be filed in either, and reviews how cases can move between the two systems. Let's explore where your case may need to be.

## **The Dispute**



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About two years ago, you lent your business associate, Steve, \$200,000 to help him start a new company. Steve agreed to repay you over 3 years at 10% annual interest, with monthly payments. For the first year and a half, Steve made all the monthly payments on time. Over the last six months, he has made some payments late and missed some payments altogether. Lately, he has stopped communicating, and his last two payments are late. Under the promissory note he signed, he now owes you \$130,000 plus late fees and any attorney fees and costs you incur to recover the money. You live in Nevada, and Steve lives in California. According to the note, it is governed by Nevada law, and any disputes must be brought in Nevada courts.

Should your case be filed in federal or state court in Nevada?

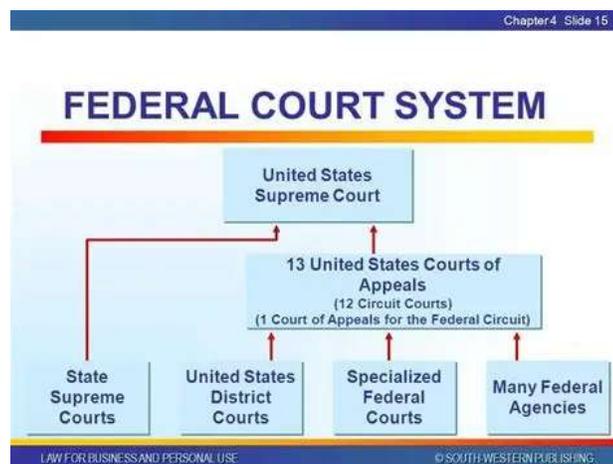
## **Federal Court System**

The federal court system is established under the U.S. Constitution and primarily handles cases involving federal law and disputes between states or between citizens or companies of different states or countries.

## Different levels of federal courts

The different levels of federal courts include:

- **District Courts:** These are the trial courts where cases are initially handled. Each state has at least one district court. District courts apply either federal law or the law of the state where the court sits. *Erie Railroad Co. v. Tompkins*, 304 U.S. 64 (1938) (establishing that in some cases the federal court applies the law of the state where the court is located, what is known as the Erie doctrine).
- **Courts of Appeals (Circuit Courts):** If a party is unhappy with a district court's decision, they can appeal the decision to the circuit court. The U.S. is divided into several circuits, each with its own court of appeals.
- **Supreme Court of the United States:** The Supreme Court reviews cases from the federal courts of appeals and sometimes from state supreme courts. The Supreme Court's decisions are final and binding since it is the highest court in the country.



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## Types of cases federal courts handle

Federal courts are courts of limited jurisdiction, meaning that they only have authority to handle certain types of cases (subject matter jurisdiction). Generally, federal courts handle two categories of cases:

- **Federal question.** Federal question cases involve a question of federal law, including the US Constitution, such as cases about immigration, tax, civil rights, free speech, states' rights, or bankruptcy. 28 U.S.C. § 1331.
- **Diversity cases.** Diversity cases involve disputes between states or between people or companies from different states or countries, if the amount in dispute exceeds \$75,000. 28 U.S.C. § 1332.

In addition to having jurisdiction over the subject matter of the case, the court must also have personal jurisdiction over Steve. This could be an issue if you file in a Nevada court because Steve lives in California. However, in this case, the note provides that any disputes must be heard by Nevada courts. This is called a forum selection clause. Generally, these provisions are upheld, and the Nevada court would have jurisdiction over Steve.

Your case involves Nevada law as stated in the note, so there is no issue of federal law. However, you and Steve are from different states, and the amount you are seeking exceeds \$75,000, which means your case is a diversity case and the federal court has subject matter jurisdiction. Also, the court likely has personal jurisdiction over Steve. Your case could properly be brought in federal court.

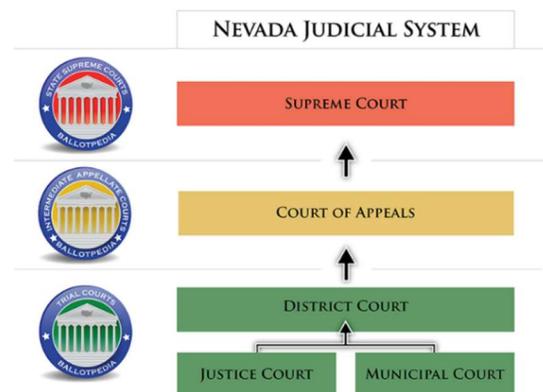
## State Court System

State courts are established by the state constitution and handle cases on almost any issue.

### Different levels of state courts

The different levels of state courts include:

- **Trial Courts:** These courts hear most cases first, including criminal, civil, family, probate, and traffic cases.
- **Intermediate Appellate Courts:** Not all states have these, but where they exist, they review decisions from trial courts.
- **State Supreme Court:** This is the highest court in the state. It reviews decisions from lower courts and interprets state law and the state constitution.



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## Types of cases state courts handle

State courts are courts of general jurisdiction, meaning they have the authority to hear almost any case, including cases involving federal law. State courts handle cases involving:

- **State laws**, including criminal cases for theft and murder, and civil cases involving contract disputes, personal injury, and traffic violations
- **Family law**, including divorce, child custody, and alimony
- **Probate**, including wills, trusts, and estates of deceased persons

Your case concerns a contract, the note, governed by Nevada state law, and could properly be handled by the state trial court. If your case could be filed in federal or state court, how do you decide?



Photo by Leeloo The First: <https://www.pexels.com/photo/question-marks-on-paper-crafts-5428836/>

## Deciding Between Federal and State Courts

In a situation where a case could be filed in either federal or state court, the decision on where to file may be mostly strategic. If you have not already consulted with an attorney, now would be an excellent time to do so.

An attorney who handles contract disputes will likely have experience practicing in both the federal and state courts. Some of the variables your attorney might discuss with you include:

- **Timing:** Does one court system move more quickly than the other?
- **Decisions:** Does one court system rule on motions or discovery disputes more quickly, or is one more likely to rule without a trial?
- **Judges:** Are the judges in one system more likely to be pro-collector (you) or pro-debtor (Steve)?
- **Juries:** If the case might end up being decided by a jury, are the demographics of the jury pools different between the systems?

In your case, the note establishes that Nevada law applies and that Nevada courts must handle any disputes. Although you could file in federal court, your attorney advises that state courts routinely handle contract disputes, and the case may move more quickly in state court, where the judges tend to issue rulings from the bench or shortly after the hearing.

## Cases May Move Between State and Federal Courts – Removal and Remand



Photo by [Susan Q Yin](#) on [Unsplash](#)

If you file your case in state court, Steve could remove the case to federal court. He would have to meet requirements regarding timing, filings, and notice as outlined in 28 U.S.C. §1446. So long as Steve complies with all procedural requirements, the removal is likely proper because the court has diversity jurisdiction.

Once the case is removed to federal court, there is a procedure to send the case back (remand) to the state court under 28 U.S.C. §1447. In this case, we know the federal court has diversity jurisdiction, so the only basis for remanding the case would be if Steve failed to follow the proper procedures when he removed the case. Given that the federal court can properly hear the case, this would likely not be worth the added time and expense.

## Conclusion

Determining whether to file or defend a lawsuit in federal or state court involves several questions of jurisdiction, the underlying law, and procedure. It is important to consult an attorney early to ensure your case is filed in the correct court and to course-correct if it ends up in the wrong one.

**Candice Renka** is a licensed attorney harnessing over 17 years of law firm and corporate experience to create compelling content, polish prose, and proofread to perfection. Unafraid of technical or complex topics, she writes, edits, and proofreads to target any audience so busy professionals can scratch nagging to-dos off their list. See more of her work at [candicerenka.com](http://candicerenka.com).